

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

BRIGHTON AREA

FIRE AUTHORITY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

BRIGHTON AREA FIRE AUTHORITY

AUTHORITY BOARD

Michael Corrigan
Geri Harmon
James Muzzin
Gary McCririe
James Mortensen
Tim Winship
Kate Lawrence

ATTORNEY

Neal Nielsen, P.C.

AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER • HANNIFORD • PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

October 20, 2007

Board of Trustees
Brighton Area Fire Authority
615 W. Grand River
Brighton, Michigan 48116

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the Brighton Area Fire Authority as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brighton Area Fire Authority, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 6 through 9 and pages 28 to 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brighton Area Fire Authority's basic financial statements. The supplementary information presented for purposes of additional analysis is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis June 30, 2007

Within this section of the Brighton Area Fire Authority's annual financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2007. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The Authority's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

Both government-wide financial statements distinguish governmental activities of the Authority that are intended to recover all or a significant portion of their costs through user fees and charges or by taxes collected. The Authority's financial reporting includes all the funds of the Authority and, additionally, organizations for which the Authority is accountable.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Authority uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Authority has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Financial Analysis of the Authority as a Whole

The Authority's net assets at the end of the fiscal year were \$4,389,807. This is a \$1,030,616 increase over last year's net assets of \$3,359,191.

The following tables provide a summary of the Authority's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities 6/30/2007	Governmental Activities 6/30/2006
Current and other assets	\$ 3,228,785	\$ 2,450,403
Capital assets	1,374,522	1,173,972
Total assets	4,603,307	3,624,375
Accounts payable	78,759	151,890
Accrued expenses	134,741	113,294
Total liabilities	213,500	265,184
Net assets:		
Invested in capital assets	1,374,522	925,400
Unrestricted	3,015,285	2,433,791
Total net assets	\$ 4,389,807	\$ 3,359,191

Summary of Changes in Net Assets

	Governmental Activities 6/30/2007	Governmental Activities 6/30/2006
Revenues:		
Program revenues		
Charges for services	\$ 9,324	\$ 24,300
Operating grants and contributions	8,632	13,196
Capital grants and contributions		92,600
General revenues		
Property taxes	3,206,655	2,280,621
Other	102,428	87,660
	<hr/>	<hr/>
Total revenues	3,327,039	2,498,377
Expenses for fire protection	<hr/> 2,296,423	<hr/> 2,240,575
Increase in net assets	1,030,616	257,802
Beginning net assets	<hr/> 3,359,191	<hr/> 3,101,389
Ending net assets	<hr/> <hr/> \$ 4,389,807	<hr/> <hr/> \$ 3,359,191

Changes in Financial Status

The increase in net assets of \$1,030,616 in the current year was mostly due to increased property taxes. The increase was essential for the Brighton Area Fire Authority to fund future capital improvements and staffing needs.

Financial Analysis of the Authority's Funds

The Authority's General Fund had revenues over expenditures from current year operations totaling \$199,388 to add to its fund balance. Of this amount \$975,000 was transferred to fund capital outlay purchases and anticipated personnel expenditures. Significant capital outlay was purchased this year totaling \$396,970 from the capital reserve equipment fund. The Authority purchases all capital outlay from the capital reserve fund.

General Fund Budgetary Highlights

The original General Fund budget adopted by the Authority was created prior to the beginning of the fiscal year outlining the Authority's anticipated financial operations. Small amendments were required from the originally adopted budget to reflect economic reality, and to increase transfers to fund future capital improvements. Expenditures exceeded the budget in two activities, but was under the total budget by \$160,090.

Capital Asset and Debt Administration

The Authority put \$394,665 of new assets into service. That total included the following items:

	<u>Cost</u>
Radio equipment	\$ 9,394
Rescue vehicle	364,268
Utility vehicle	<u>21,003</u>
	<u>\$ 394,665</u>

The Authority disposed of one vehicle during the year that had no book value.

For the year ended June 30, 2007 there was no debt either acquired or extinguished.

Economic Conditions and Future Activities

Future operations and capital outlay purchases will be funded primarily by property taxes collected. This amount is expected to remain approximately the same as the prior year due to the stagnate growth and slow down in the economy. The Authority's contract with the Howell Area Fire Authority was not renewed for the next year. Management believes the Brighton Area Fire Authority will be able to cover 100% of Genoa Township for no additional cost. Thus, the financial effect should be minimal to the Brighton Area Fire Authority.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Brighton Area Fire Authority.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT - WIDE
FINANCIAL
STATEMENTS

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,182,254
Accounts receivable	46,531
Capital assets - net of depreciation	<u>1,374,522</u>
Total assets	<u>4,603,307</u>
LIABILITIES	
Accounts payable	78,759
Accrued expenses	<u>134,741</u>
Total liabilities	<u>213,500</u>
NET ASSETS	
Investment in capital assets	1,374,522
Unrestricted	<u>3,015,285</u>
Total net assets	<u>\$ 4,389,807</u>

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>PROGRAM REVENUE</u>		<u>Net Governmental Activities</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES			
Fire protection services	<u>\$ (2,296,423)</u>	<u>\$ 9,324</u>	<u>\$ (2,278,467)</u>
General Revenues:			
Property taxes, levied for general purpose			3,206,655
Investment income			92,013
Other revenues			7,434
Gain on sale of capital assets			<u>2,981</u>
Total general revenues			<u>3,309,083</u>
Change in net assets			1,030,616
Net assets, July 1, 2006			<u>3,359,191</u>
Net assets, June 30, 2007			<u>\$ 4,389,807</u>

The notes are an integral part of the financial statements.

FUND
FINANCIAL
STATEMENTS

BRIGHTON AREA FIRE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>Major Funds</u>		<u>Non-major Fund</u>	
		Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	
<u>ASSETS</u>	<u>General</u>			<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,719,894	\$ 1,395,670	\$ 66,690	\$ 3,182,254
Accounts receivable	8,287	38,244		46,531
Due from other funds	<u>2,304</u>	<u>913</u>		<u>3,217</u>
Total assets	<u>\$ 1,730,485</u>	<u>\$ 1,434,827</u>	<u>\$ 66,690</u>	<u>\$ 3,232,002</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 78,759	\$	\$	\$ 78,759
Accrued wages	70,686			70,686
Accrued vacation and sick	42,660			42,660
Accrued pension and withholding	21,395			21,395
Due to other funds	<u>913</u>	<u>2,304</u>		<u>3,217</u>
Total liabilities	<u>214,413</u>	<u>2,304</u>		<u>216,717</u>
FUND BALANCES				
Unreserved	1,516,072			1,516,072
Designated		<u>1,432,523</u>	<u>66,690</u>	<u>1,499,213</u>
Total fund balances	<u>1,516,072</u>	<u>1,432,523</u>	<u>66,690</u>	<u>3,015,285</u>
Total liabilities and fund balances	<u>\$ 1,730,485</u>	<u>\$ 1,434,827</u>	<u>\$ 66,690</u>	<u>\$ 3,232,002</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balance - governmental funds	\$ 3,015,285
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the balance sheet:	
Historical cost	\$ 3,743,562
Accumulated depreciation	<u>(2,369,040)</u>
Net book value of capital assets	<u>1,374,522</u>
Net assets of governmental activities	<u>\$ 4,389,807</u>

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Major Funds		Other Non-major Fund	
	General Fund	Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
REVENUES				
Taxes	\$ 3,206,655	\$	\$	\$ 3,206,655
Cost recovery		9,324		9,324
Grant	8,632			8,632
Interest	60,495	29,472	2,046	92,013
Miscellaneous	7,434			7,434
Total revenues	<u>3,283,216</u>	<u>38,796</u>	<u>2,046</u>	<u>3,324,058</u>
EXPENDITURES				
Personnel	1,147,625		6,175	1,153,800
Contracted services	390,037			390,037
Capital outlay		396,970		396,970
General fire protection	556,166			556,166
Total expenditures	<u>2,093,828</u>	<u>396,970</u>	<u>6,175</u>	<u>2,496,973</u>
Excess of revenues over (under) expenditures	<u>1,189,388</u>	<u>(358,174)</u>	<u>(4,129)</u>	<u>827,085</u>
OTHER FINANCING SOURCES (USES)				
Disposal of capital assets		2,981		2,981
Transfers in		975,000	15,000	990,000
Transfers (out)	(990,000)			(990,000)
Total other financing sources (uses)	<u>(990,000)</u>	<u>977,981</u>	<u>15,000</u>	<u>2,981</u>
Net changes in fund balances	199,388	619,807	10,871	830,066
FUND BALANCE, JULY 1, 2006	<u>1,316,684</u>	<u>812,716</u>	<u>55,819</u>	<u>2,185,219</u>
FUND BALANCE, JUNE 30, 2007	<u>\$ 1,516,072</u>	<u>\$ 1,432,523</u>	<u>\$ 66,690</u>	<u>\$ 3,015,285</u>

Amounts reported for governmental activities in the Statement of Activities are different due to:

Net changes in fund balances	\$ 830,066
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The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown as capital assets in the Statement of Net Assets and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital asset purchases exceeded depreciation expense in the current period:

Capital asset acquisitions	\$ 394,665
Depreciation expense	<u>(194,115)</u>
Total	<u>200,550</u>

Change in net assets of governmental activities	<u>\$ 1,030,616</u>
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The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	Private- Purpose Trust Fund
ASSETS	
Cash and cash equivalents	\$ <u>26,638</u>
 NET ASSETS	 \$ <u>26,638</u>

The notes are an integral part of the financial statements.

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Private- Purpose Trust Fund</u>
ADDITIONS	
Public contributions	\$ 15,957
DEDUCTIONS	
Public safety	<u>12,706</u>
Net change in net assets	3,251
NET ASSETS, JULY 1, 2006	<u>23,387</u>
NET ASSETS, JUNE 30, 2007	<u>\$ 26,638</u>

The notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

BRIGHTON AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Brighton Area Fire Authority was organized under Public Act No. 57, of the Public Acts of 1988, as amended. The Brighton Area Fire Authority Board is appointed by each municipality. The Genoa Township, City of Brighton, and Brighton Township boards each appoint two members to the Brighton Area Fire Authority Board. One final member is selected by these six appointed members. The Authority was created as a joint venture by its members on May 4, 2000 to provide fire protection.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 39 "The Financial Reporting Entity", these financial statements present all activities of the Authority. There are no component units of the Authority using the criteria established by the GASB for determining the reporting entity.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Authority as a whole. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Net Assets reports all financial and capital resources of the Authority. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Reserve Equipment Fund accounts for the activity associated with the acquisition of capital assets. This fund is supported by the General Fund and cost recovery revenues.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund and fiduciary financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America is formally adopted for the General Fund and all Special Revenue funds. The budget can be amended by approval from the Authority's Board. If necessary, budget amendments can be presented to the Board at the regular meetings. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end. Total actual expenditures exceeded budgeted appropriations for the year ending June 30, 2007 in three activities.

G. RISK MANAGEMENT

The Authority is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage.

H. ACCRUED COMPENSATED ABSENCES

The Authority has recorded a liability for compensated absences of the fire department. The policies regarding compensated absences are outlined in the Authority's "Rules of Employment".

I. PROPERTY TAXES

The Authority's property taxes are levied and become a lien on December 1st based on the taxable valuation of property located in the Authority as of the preceding December 31st. These taxes are due on February 14th, with the final collection date of February 28th before they are added to the county delinquent tax rolls.

For the year ended June 30, 2007, the Authority recognized the property taxes levied December 1, 2006 as revenue. Total taxable value was \$2,548,771,924 and the millage rate was set at 1.25.

J. OTHER FINANCING SOURCES (USES)

The transfer of cash between the various funds are budgeted but reported separate from revenues and expenditures as transfers in or (out) unless they represent temporary advances that are to be repaid, in which case they are carried as assets or liabilities of the advancing or borrowing fund.

The Authority's General Fund made transfers to fund the activities in the Capital Reserve Equipment Fund and Compensated Absences Reserve Fund.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

K. INTERFUND BALANCES

All interfund balances are short-term in character. Interfund transfers will be collected during the next reporting period. These amounts are reported as current assets in the governmental balance sheets. The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ <u>1,391</u>	Capital Reserve Equipment Fund	\$ <u>1,391</u>

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balances 7-01-06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 6-30-07</u>
Office equipment	\$ 111,853	\$	\$	\$ 111,853
Operating equipment	487,030	9,394		496,424
Leasehold improvements	20,492			20,492
Transportation equipment	<u>2,749,939</u>	<u>385,271</u>	<u>20,417</u>	<u>3,114,793</u>
	3,369,314	394,665	(20,417)	3,743,562
Accumulated depreciation	<u>(2,195,342)</u>	<u>(194,115)</u>	<u>20,417</u>	<u>(2,369,040)</u>
Governmental activities capital assets, net	\$ <u>1,173,972</u>	\$ <u>200,550</u>	\$	\$ <u>1,374,522</u>

Depreciation expense is being recorded solely for fire protection services. The Authority utilizes the straight line method to depreciate capital assets over their estimated useful lives. No debt is associated with the capital assets.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3 - DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLANS

The Authority offers its full-time and part-time firefighters a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457.

The Authority also provides defined contribution plans under Internal Revenue Code (IRC) Section 401(a) for the full-time and part-time firefighters. The terms are as follows:

Full-time employees - As of June 30, 2007 there were seven full-time employees participating in the 401(a) defined contribution plan with Security Benefits in which the Authority contributed 5% of base compensation toward the plan. The total contribution for the year was \$11,692.

As of June 30, 2007 there were six full-time employees participating in the 401(a) defined contribution plan with I.C.M.A. in which the Authority contributed 2% of base compensation toward the plan. The total contribution for the year was \$2,994.

There is a separate plan agreement with the fire chief. The chief has been provided with a 457 plan as well as a 401(a) plan. The Authority contributed on behalf of the chief 12% of base compensation into the 401(a) plan which is also with Security Benefits. The contribution for the year ending June 30, 2007 was \$10,086.

Part-time Employees - the Authority contributes to the 401 (a) plan on behalf of each part-time employee only when the employee makes a contribution to his or her 457 plan. The amount the Authority contributes is the lesser of the amount the employee contributed or 5% of gross wages. The contribution for the year ending June 30, 2007 was \$14,992.

**NOTE 4 - DEFINED BENEFIT PLAN -
MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS)**

This plan was grandfathered into the Authority from the City of Brighton and Brighton Township on July 1, 2002. Only current full time employees that transferred over from the aforementioned municipalities are allowed to participate in this plan.

MERS is an agent multiple-employer, state-wide, defined benefit public employee retirement plan created under Public Act 135 of 1945 and now operates under Public Act 220 of 1996. MERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits on a voluntary basis to the State's local government employees. Under Public Act 220, MERS became an independent public non-profit corporation independent from State government. The effective date of independence was August 16, 1996, at which time MERS ceased to be a part of the State of Michigan, Department of Management and Budget.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 4 - DEFINED BENEFIT PLAN -
MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS) - continued

At December 31, 2006, the unfunded Actuarial Accrued Liability was \$37,894, determined as follows:

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$ 209,987
Terminated employees not yet receiving benefits	-0-
Current employees - Accumulated employee contributions including allocated investment income	-0-
Employer financed	<u>148,776</u>
Total actuarial accrued liability	358,763
Net assets available for benefits at actuarial value	<u>320,869</u>
Unfunded actuarial accrued liability	<u>\$ 37,894</u>
Fiscal year beginning	July 1, 2008
Annual required contribution (ARC)	\$ 37,068
Amortization factor used - underfunded liabilities (30 years)	.085453

Covered and total payrolls for the year ended December 31, 2006 was \$110,837 and \$824,132 respectively. As of June 30, 2007 there was one retirant receiving benefit's from the plan, and one active employee enrolled in the plan. Total contributions made to the plan during the year ended June 30, 2007 was \$19,012.

BRIGHTON AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority deposits are in accordance with statutory authority. The Authority maintains petty cash with an imprest amount of \$200.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Authority's deposits are as follows:

<u>Deposits</u>	<u>Governmental Funds</u>	<u>Private-Purpose Trust Fund</u>	<u>Total Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 100,000	\$	\$ 100,000	\$ 100,000
Uninsured and uncollateralized	<u>3,082,054</u>	<u>26,638</u>	<u>3,108,692</u>	<u>3,134,843</u>
	<u>\$ 3,182,054</u>	<u>\$ 26,638</u>	<u>\$ 3,208,692</u>	<u>\$ 3,234,843</u>

NOTE 6 - FEDERAL GRANT ACTIVITIES

The Authority had received federal grants from both the United States Department of Homeland Security and FEMA. The total amount received during the fiscal year was \$8,632, and are subject to all federal grant audit requirements. There has been no federal audit on the funds through the report date of these financial statements.

REQUIRED
SUPPLEMENTARY
INFORMATION

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgets</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 2,370,463	\$ 3,195,700	\$ 3,206,655	\$ 10,955
Grant - federal	10,382	10,382	8,632	(1,750)
Interest	16,000	54,000	60,495	6,495
Other income	<u>8,000</u>	<u>8,000</u>	<u>7,434</u>	<u>(566)</u>
Total revenues	<u>2,404,845</u>	<u>3,268,082</u>	<u>3,283,216</u>	<u>15,134</u>
EXPENDITURES				
Personnel	1,182,740	1,204,550	1,147,625	56,925
Professional services	60,600	55,000	50,037	4,963
Insurance	133,050	123,000	85,594	37,406
Equipment and supplies	201,980	307,700	295,058	12,642
Utilities	51,825	48,000	38,778	9,222
Contract - Howell Fire	340,000	340,000	340,000	
Dues and subscriptions	6,986	6,986	6,746	240
Physicals and vaccines	17,750	25,000	27,687	(2,687)
Training and instructions	55,175	36,500	33,353	3,147
Telephone and communications	24,500	25,000	24,527	473
Vehicle lease	11,000	11,000	9,375	1,625
Buildings	27,000	24,500	26,571	(2,071)
Emergency funds	10,000	10,000	8,477	10,000
Safer grant		11,682		3,205
Contingency	<u>55,000</u>	<u>25,000</u>		<u>25,000</u>
Total expenditures	<u>2,177,606</u>	<u>2,253,918</u>	<u>2,093,828</u>	<u>160,090</u>
Excess of revenues over expenditures	227,239	1,014,164	1,189,388	175,224
OTHER FINANCING (USES)				
Transfers (out)	<u>(195,000)</u>	<u>(990,000)</u>	<u>(990,000)</u>	
Net change in fund balance	32,239	24,164	199,388	175,224
FUND BALANCE, JULY 1, 2006	<u>1,316,684</u>	<u>1,316,684</u>	<u>1,316,684</u>	
FUND BALANCE, JUNE 30, 2007	<u>\$ 1,348,923</u>	<u>\$ 1,340,848</u>	<u>\$ 1,516,072</u>	<u>\$ 175,224</u>

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE EQUIPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgets</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Cost recovery	\$ 22,000	\$ 25,000	\$ 9,324	\$ (15,676)
Interest	<u>15,000</u>	<u>19,000</u>	<u>29,472</u>	<u>10,472</u>
Total revenues	37,000	44,000	38,796	(5,204)
EXPENDITURES				
Capital outlay	<u>225,000</u>	<u>410,000</u>	<u>396,970</u>	<u>13,030</u>
Excess of revenues over (under) expenditures	<u>(188,000)</u>	<u>(366,000)</u>	<u>(358,174)</u>	<u>7,826</u>
OTHER FINANCING SOURCES				
Disposal of capital assets		2,981	2,981	
Transfers in	<u>180,000</u>	<u>975,000</u>	<u>975,000</u>	
Total other financing sources	<u>180,000</u>	<u>977,981</u>	<u>977,981</u>	
Net change in fund balance	(8,000)	611,981	619,807	7,826
FUND BALANCE, JULY 1, 2006	<u>812,716</u>	<u>812,716</u>	<u>812,716</u>	
FUND BALANCE, JUNE 30, 2007	<u>\$ 804,716</u>	<u>\$ 1,424,697</u>	<u>\$ 1,432,523</u>	<u>\$ 7,826</u>

BRIGHTON AREA FIRE AUTHORITY
SCHEDULE OF PENSION FUNDING PROGRESS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007

In accordance with the Governmental Accounting Standards Board Statements No. 25 and 27, the following information is a required part of the basic financial statements related to the MERS retirement system.

FIRE EMPLOYEES

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Overfunded) Accrued Liability (UAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
December 31, 2004	\$ 209,216	\$ 254,465	\$ 45,249	82.22%	\$ 323,163	14%
December 31, 2005	\$ 274,034	\$ 353,587	\$ 79,553	77.50%	\$ 290,150	27%
December 31, 2006	\$ 320,869	\$ 358,763	\$ 37,894	89.43%	\$ 110,837	34%

SUPPLEMENTARY
INFORMATION

BRIGHTON AREA FIRE AUTHORITY
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
JUNE 30, 2007

		Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
	<u>ASSETS</u>			
ASSETS				
Cash		\$ 1,395,670	\$ 66,690	\$ 1,462,360
Accounts receivable		38,244		38,244
Due from other funds		<u>913</u>	<u></u>	<u>913</u>
Total assets		<u>\$ 1,434,827</u>	<u>\$ 66,690</u>	<u>\$ 1,501,517</u>
	<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES				
Due to other funds		\$ 2,304	\$	\$ 2,304
FUND BALANCE		<u>1,432,523</u>	<u>66,690</u>	<u>1,499,213</u>
Total liabilities and fund balance		<u>\$ 1,434,827</u>	<u>\$ 66,690</u>	<u>\$ 1,501,517</u>

BRIGHTON AREA FIRE AUTHORITY
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE -
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDING JUNE 30, 2007

	Capital Reserve Equipment Fund	Compensated Absences Reserve Fund	Total
REVENUES			
Cost recovery	\$ 9,324	\$	\$ 9,324
Interest	<u>29,472</u>	<u>2,046</u>	<u>31,518</u>
Total revenues	<u>38,796</u>	<u>2,046</u>	<u>40,842</u>
EXPENDITURES			
Compensated absences		6,175	6,175
Capital outlay	<u>396,970</u>		<u>396,970</u>
Total expenditures	<u>396,970</u>	<u>6,175</u>	<u>403,145</u>
Excess of revenues over (under) expenditures	(358,174)	(4,129)	(362,303)
OTHER FINANCING SOURCES			
Disposal of capital assets	2,981		2,981
Transfers in	<u>975,000</u>	<u>15,000</u>	<u>990,000</u>
Total other financing sources	<u>977,981</u>	<u>15,000</u>	<u>992,981</u>
Net changes in fund balances	619,807	10,871	630,678
FUND BALANCE, JULY 1, 2006	<u>812,716</u>	<u>55,819</u>	<u>868,535</u>
FUND BALANCE, JUNE 30, 2007	<u>\$ 1,432,523</u>	<u>\$ 66,690</u>	<u>\$ 1,499,213</u>

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
PERSONNEL			
Wages - Chief	\$ 84,050	\$ 84,050	\$
Wages - Fire Marshall	60,000	39,114	20,886
Wages - Deputy chiefs	72,500	75,222	(2,722)
Wages - Assistant chiefs	67,000	75,445	(8,445)
Wages - Captains	27,000	26,608	392
Wages - Lieutenants	106,000	104,952	1,048
Wages - Sergeants	95,000	124,898	(29,898)
Wages - Firefighters	303,000	290,064	12,936
Contracted services - Jr. Fire Department	3,500	3,000	500
Wages - inspectors	85,000	81,783	3,217
Wages - Fire board (per diem)	10,000	10,125	(125)
Wages - clerical	42,000	32,873	9,127
Wages - compensated absences	9,000	6,601	2,399
Wages - severance package	6,500	6,393	107
Employee benefits	150,000	111,798	38,202
Payroll taxes	<u>84,000</u>	<u>74,699</u>	<u>9,301</u>
Total personnel	<u>1,204,550</u>	<u>1,147,625</u>	<u>56,925</u>
PROFESSIONAL SERVICES			
Accounting and audit	30,000	27,400	2,600
Legal fees	10,000	8,228	1,772
Other - Human resources	<u>15,000</u>	<u>14,409</u>	<u>591</u>
Total professional services	<u>55,000</u>	<u>50,037</u>	<u>4,963</u>
INSURANCE	<u>123,000</u>	<u>85,594</u>	<u>37,406</u>
EQUIPMENT AND SUPPLIES			
Equipment rental	7,500	7,018	482
Medical supplies	8,200	6,850	1,350
Office supplies	13,000	18,781	(5,781)
Repairs and maintenance	85,000	85,937	(937)
Uniforms and turn-out gear	140,000	128,233	11,767
Computers and records management	25,000	20,899	4,101
Fuel	<u>29,000</u>	<u>27,340</u>	<u>1,660</u>
Total equipment and supplies	<u>307,700</u>	<u>295,058</u>	<u>12,642</u>
UTILITIES			
Electricity	15,500	14,358	1,142
Gas	22,000	16,564	5,436
Electric and gas - Dorr Road	<u>10,500</u>	<u>7,856</u>	<u>2,644</u>
Total utilities	<u>48,000</u>	<u>38,778</u>	<u>9,222</u>

BRIGHTON AREA FIRE AUTHORITY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
CONTRACT - HOWELL FIRE	\$ 340,000	\$ 340,000	\$
DUES AND SUBSCRIPTIONS			
Hazmat	3,500	3,500	
Memberships	<u>3,486</u>	<u>3,246</u>	<u>240</u>
Total dues and subscriptions	<u>6,986</u>	<u>6,746</u>	<u>240</u>
PHYSICALS AND VACCINES	<u>25,000</u>	<u>27,687</u>	<u>(2,687)</u>
SAFER GRANT EXPENDITURES	<u>11,682</u>	<u>8,477</u>	<u>3,205</u>
TRAINING AND INSTRUCTORS			
Training supplies	17,500	16,339	1,161
Recertification costs	1,000	750	250
Conferences and public information	<u>18,000</u>	<u>16,264</u>	<u>1,736</u>
Total training and instructors	<u>36,500</u>	<u>33,353</u>	<u>3,147</u>
TELEPHONE AND COMMUNICATIONS	<u>25,000</u>	<u>24,527</u>	<u>473</u>
VEHICLE - LEASE	<u>11,000</u>	<u>9,375</u>	<u>1,625</u>
BUILDINGS			
Cleaning supplies	5,500	3,569	1,931
Upgrades and maintenance	<u>19,000</u>	<u>23,002</u>	<u>(4,002)</u>
Total buildings	<u>24,500</u>	<u>26,571</u>	<u>(2,071)</u>
EMERGENCY FUNDS	<u>10,000</u>		<u>10,000</u>
CONTINGENCY	<u>25,000</u>		<u>25,000</u>
Total expenditures	<u>\$ 2,253,918</u>	<u>\$ 2,093,828</u>	<u>\$ 160,090</u>

October 20, 2007

Honorable Board of Trustees
Brighton Area Fire Authority
615 W. Grand River
Brighton, MI 48116

Dear Honorable Board of Trustees:

During the audit process for the year ending June 30, 2007, certain items came to our attention which we would like to discuss with you. Those items are as follows:

1. Bank Accounts - Signers

When confirming cash balances with the bank, it came to our attention there is a check signer listed with the bank that is no longer on the Authority Board. This person's name should be taken off the approved signers list.

2. Post Employment Benefits - Health Care and GASB No. 45

Currently the Authority has policies which require health, dental and optical coverage to retired employees for life who meet certain criteria.

The Governmental Accounting Standards Board has released Statement No. 45, Accounting and Reporting by Employers for Post Employment Benefits Other than Pensions. This statement gives new guidance to governmental employers in recognizing costs of post employment benefits such as health care. The statement is effective for the year ending June 30, 2009.

The Authority will be required to record as a liability any under funding of the recommended contribution. The contribution amount will be calculated based on a valuation of the obligation to provide the health care benefits.

We suggest the Authority start preparing itself for this future requirement. The Authority should consider transferring an amount into a newly created special revenue fund.

3. Bank Account - Non Interest Bearing

We noticed the Authority's trust bank account is a non-interest bearing account. The Authority should request from the bank an account which bears interest similar to the other sweep-money market accounts the Authority has with the bank.

4. Late Fees

We noticed some late fees being paid on a vehicle lease (amounts were minimal). We suggest the Authority arrange with the leasing company a plan where the next month's lease payment can be prepaid.

5. Sales Tax

We noticed one instance where sales tax was paid for vehicle repairs. The Authority should be careful not to pay the sales tax and issue the vendor an exemption certificate.

6. Safer Grant

The Authority was approved for a grant totaling \$41,528 over a four year period (January 28, 2006 through January 27, 2010). Only one request has been submitted for the first installment of \$10,382 which was received in the year ending June 30, 2006. A second request for funds has not yet been submitted by the Authority even though monies have been paid by the Authority totaling \$8,287. The grant allows for one request each quarter (every three months). A second request should be done as soon as possible.

7. Communication of Significant Deficiencies and Material Weaknesses

In planning and performing our audit of the financial statements of the governmental activities of Brighton Area Fire Authority as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Brighton Area Fire Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Brighton Area Fire Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's or detected by the entity's internal control.

We consider the following to be a material weakness of the Authority:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principals. It should be noted that a number of these journal entries were related to transactions that were unusual and infrequent in nature. The entries also include those required for the full-accrual presentation of the government-wide statements.

We would like to thank the Authority officials, accountant and employees that assisted us during the audit process for their assistance and cooperation.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Board of Trustees, management of the Brighton Area Fire Authority and the State of Michigan, Department of Treasury, Audit Division and it is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants